

**UNITED STATES ENVIRONMENTAL PROTECTION AGENCY
ENVIRONMENTAL FINANCIAL ADVISORY BOARD**

March 3, 2000

Honorable Carol M. Browner
Administrator
United States Environmental Protection Agency
1200 Pennsylvania Ave., NW
Washington, D.C. 20460

Dear Administrator Browner:

The Environmental Financial Advisory Board through its Brownfields Work Group has been monitoring the various federal legislative proposals that are intended to help spur investment in brownfields redevelopment. Those that address availability of funding propose some variation of one or more of the following: 1) direct public funding (grants); 2) capitalization of revolving loan funds; 3) loan guarantee programs (such as run by the Small Business Administration); and 4) tax incentives. We believe that the fourth alternative, tax incentives, has significant advantages over grants and loans in that it would effectively attract capital from the private sector.

The Brownfields Tax Incentive (which EFAB commented upon in previous correspondence) was a start, but a bolder approach may be necessary to bring significant private investment to brownfields redevelopment. The following additional provisions, if added to the Brownfields Tax Incentive, would help to bring the still-reluctant private sector into the brownfields remediation financing arena. We encourage EPA to propose and/or support legislation that is aimed at attracting private investment to this important area.

The Brownfields Work Group proposes the following amendments to Brownfields Tax Incentives:

Include a transferable tax credit equal to the cost of the environmental investigation and remediation incurred on a "qualifying site". This would enable cities to assess and cleanup property and transfer the credits to the next purchaser.

Define "qualifying site" as contaminated property within an Urban area as defined by the Census. This broadest possible definition precludes greenfield sites - development of which should be discouraged.

The tax credit should be available only subsequent to certified commencement of redevelopment. This is to avoid claiming the credit and then "warehousing" the property, without actually beginning cleanup. Given that large projects can take years from investigation to actual completion of redevelopment, it should be acceptable to claim the credit when there is evidence that the project legitimately has commenced and will proceed on an identifiable timetable through completion.

Property "redevelopment" should to be defined to include open spaces, parks, residential living spaces, commercial use, schools and any other uses that are of

benefit to the community.

Qualifying Remediation Costs should include the capitalized costs of ongoing remediation, including pump and treat systems.

Insurance premiums for coverage of post-remediation liabilities should qualify for the tax credit.

EFAB would like to thank you for the opportunity to provide our comments and recommendations to you. We make these current recommendations with the hope that they enhance legislation that reflects EPA's strong commitment to the recycling of our developed areas and that mobilizes private capital in the redevelopment of our cities.

Sincerely,

(signature)

Robert O. Lenna

Chair

Environmental Financial Advisory Board

(signature)

John C. Wise

Executive Director

Environmental Financial Advisory Board

cc: W.Michael McCabe

Timothy Fields, Jr.